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TO RUEHC/SECSTATE WASHDC 1316
INFO RUEHAC/AMEMBASSY ASUNCION 6298
RUEHBO/AMEMBASSY BOGOTA 3619
RUEHBR/AMEMBASSY BRASILIA 7480
RUEHBU/AMEMBASSY BUENOS AIRES 4742
RUEHCV/AMEMBASSY CARACAS 1991
RUEHPE/AMEMBASSY LIMA 2053
RUEHME/AMEMBASSY MEXICO 1899
RUEHMN/AMEMBASSY MONTEVIDEO 4188
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STATE FOR WHA/AND LPETRONI
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

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TAGS: [EMIN](#) [EINV](#) [ECON](#) [PREL](#) [PGOV](#) [BL](#)
SUBJECT: GOB SHRINKS FROM THREATS AGAINST SWISS MINING FIRM

REF: LA PAZ 2976

SUMMARY

¶1. (SBU) President Morales announced October 23 that the GOB would unveil plans for the mines and mills of Swiss mining powerhouse Glencore International, whose Bolivian subsidiary controls properties once held by former President Gonzalo "Goni" Sanchez de Lozada. The GOB later backed away from its threats, thanks in part to promises of violent protests from company employees and intervention by the Swiss ambassador, and the firm's president recently said tension had diminished. The attack and subsequent retreat represents yet another GOB false start and may highlight the GOB's frustration with its inability to secure Goni's extradition.

ATTACK AND RETREAT

¶2. (U) President Morales announced October 23 that the GOB would unveil plans for the mines and mills of Swiss mining powerhouse Glencore International, whose wholly owned Sinchi Wayra subsidiary controls properties once held by Comsur, a firm owned until 2005 by former President Gonzalo "Goni" Sanchez de Lozada. Tensions escalated when Minister of Mining Jose Dalance said October 31 that the GOB would investigate the sale of Comsur and rose still higher when Morales threatened November 1 to "recover for the state" the company's tin smelter. The threats played on the fears of many in Bolivia's mining industry and led company executives to wonder if the GOB would target other firms' operations after making an example of Glencore.

¶3. (SBU) The GOB later backed away from its threats, thanks in part to promises of violent protests from Glencore employees and intervention by the Swiss ambassador. Sinchi

Wayra President Eduardo Capriles told Econoff November 15 that the firm's 4,000 workers responded to rumors of planned military takeovers of company operations by threatening armed resistance and "bloody" conflict; while reportedly surprised by the miners' decision to side with their employer, President Morales took the threat seriously. Subsequent intervention by the Swiss ambassador, who reminded GOB officials that the expropriation of mines or mills would violate the two countries' reciprocal investment treaty, reportedly led Morales to back down. Capriles noted that tension had diminished in the last few weeks, commenting that GOB officials seemed unsure how to proceed; while royalty and tax hikes might be inevitable, he said, government expropriations probably are not.

COMMENT

¶4. (SBU) The attack and subsequent retreat represents yet another GOB false start - it coincided with a clumsy decision to delay officials' much-hyped mining plan (reftel) - and may highlight the GOB's frustration with its inability to secure Goni's extradition. (Note: Goni has been living in exile in the United States since October 2003, when he resigned the presidency and fled the country after deadly clashes between civilian protesters and the military. End Note.) Having failed to "get" Goni through extradition, Morales may have lashed out at the former president, in hopes of boosting the administration's political standing with an attack on Goni's former assets. Because such a move risked causing more trouble with an already turbulent mining sector, however, Morales appears to have backed off, at least for now.
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